CIRQUE ENERGY LTD.

1 9 9 4
Annual Report

Corporate Profile

Cirque Energy Ltd. is an independent Canadian energy company actively exploring for, developing, producing, processing and marketing reserves of natural gas and oil. In 1994, Cirque successfully completed one major transaction that resulted in a merger and positioned us among the junior-sized oil and gas producers in Canada. Cirque Energy Ltd. is the result of a combination of assets of Petrolantic Ltd. and Cirque Oil & Gas Ltd. Cirque's sound financial planning and effective operating strategies will continue to guide our growth in 1994 as we develop and augment the assets we have acquired and the new exploration plays we have generated.

Cirque's common shares are listed on The Alberta Stock Exchange and NASDAQ. The securities trade under the symbols "CIQ" and "CIRQF" respectively.

Financial Highlights

For The Year Ended March 31, 1994

	Cirque Pro forma 1994	1994	1993	1992
	$	$	$	$
Revenues	1,343,000	682,000	376,000	341,000
Shareholders' Equity	4,468,000	2,813,000	1,745,000	4,121,000
Net Income (Loss)				
- Continuing Operations	31,000	(20,000)	(41,000)	(45,000)
Basic Earnings (Loss) Per Share				
- Continuing Operations	—	—	(0.01)	(0.01)
Shares Outstanding	31,989,680	19,715,694	16,090,194	14,775,661

CIRQUE ENERGY LTD.

RESERVES (Before Royalties)

CANADA	Cirque Pro forma 1994		1994		1993		1992	
	Oil MSTB	Gas MMCF	Oil MSTB	Gas MMCF	Oil MSTB	Gas MMCF	Oil MSTB	Gas MMCF
Proved Producing	323.7	669	158.1	342	110.1	165	69.5	212
Probable Additional	331.6	1,827	174.7	611	0	0	27.7	77
TOTAL	655.3	2,496	332.8	953	110.1	165	97.2	289

MSTB = Oil in Thousands of Stock Tank Barrels
MMCF = Natural Gas in Millions of Cubic Feet

NET ACREAGE (CANADA)

	Cirque Pro forma 1994	1994	1993	1992
Acres	5,166	1,396	1,788	1,192

DAILY PRODUCTION (CANADA)

	Cirque Pro forma 1994	1994	1993	1992
Oil (Barrels per day)	122	56	45	46
Natural Gas (Thousand cubic feet per day)	428	165	153	108

PRESENT VALUE OF ESTIMATED FUTURE NET REVENUES FROM OIL & GAS RESERVES

(Based on 10% discount rate - nonescalated)

CANADA ($000'S)*	Cirque Pro forma 1994	1994	1993	1992
Total Proved Producing	2,602	1,268	725	614
Probable Additional Reserves	1,865	735	0	61
TOTAL Present Worth Value	4,467	2,003	725	675

* does not include Alberta Royalty Tax Credit

Report to the Shareholders

CIRQUE ENERGY LTD.

Cirque Energy Ltd. (formerly Petrolantic Ltd.) recorded positive results in most areas during fiscal 1994. Strong increases were achieved in production growth and reserve additions. These increases were principally during the last quarter of the year and thus did not fully impact the 1994 financial results. Operational successes during the later part of the year resulted in an excellent production exit rate for 1993 compared to the year entry rate and a significantly improved reserve base. The reported figures for Petrolantic Ltd.'s fiscal year ended March 31, 1994 do not reflect the acquisition of Cirque Oil & Gas Ltd. which was effective April 1, 1994. The results of operations after giving effect to the amalgamation are presented on a pro forma basis (combined Cirque/Petrolantic).

Oil and gas revenues, net of royalties, for Petrolantic Ltd. increased to $465,368, up 24% from $376,322 in 1993. Being mainly an oil producing company, oil prices impacted the revenue flow. While reaching highs of $21.00 U.S. in March, 1993, oil prices declined throughout the latter part of the year to $14.50 U.S. in February, 1994.

In 1994, we concluded a number of our objectives to further position the Company for strong growth in the upcoming year.

On March 24, 1994, the shareholders voted in favour of the acquisition of Cirque Oil & Gas Ltd. On April 1, 1994, the two companies were amalgamated and the name changed to **CIRQUE ENERGY LTD**.

A total of 12,273,986 Petrolantic common shares were issued in exchange for all the issued and outstanding shares of Cirque Oil & Gas Ltd., representing a share exchange ratio of 10.2 Petrolantic common shares for each Cirque common share. Pro forma revenue (combined Cirque/Petrolantic) was $1,342,793 with a net income of $30,712.

Through a private placement of flow through shares in fiscal 1994, Petrolantic raised $972,665 net of expenses, which provided sufficient capital to fund its programs. A total of 3,165,000 shares were issued pursuant to the offering memorandum.

The company purchased a 20% interest in the Battle Creek oil pool in southwest Saskatchewan. Over the past year, two horizontal oil wells, (one Madison formation, one Shaunavon formation), one vertical oil well and one vertical gas well were drilled on the property. With the acquisition of Cirque Oil & Gas Ltd., the Company's position has increased to 55.5% in the pool. This property will be the focus of Cirque Energy's exploration program in 1995 with the implementation of a complete battery upgrade and the drilling of a multi-lateral horizontal Madison test.

Petrolantic Ltd. was able to sell its entire interest in United States Exploration, Inc. (USEX) for cash and a non-interest bearing debenture. Petrolantic received $78,063 U.S. for 624,500 shares of USEX and agreed to exchange 6,000,000 common shares of USEX for an estimated $1.2 million U.S. worth of debentures. A total of $300,000 U.S. has been received to date by Petrolantic Ltd., with the term on the remaining debentures ranging through June 30, 1995.

With the acquisition of Cirque, the Company doubled its oil and gas reserves, gained experienced management and operating personnel along with a production base

of 100 barrels of oil per day and 500 thousand cubic feet of gas per day. The combination of assets and businesses of the two companies provides for a more effective utilization of the oil and gas properties, most of which had common ownership. This combination will also provide for a more effective utilization of cash flow to conduct further exploration.

OUTLOOK FOR 1994/1995

Cirque's ultimate long term growth will occur through exploration. It will require expansion of our land base, growth and exploration of long life reserves in both natural gas, natural gas liquids and oil production. Our projects are now of sufficient size to increase the real value of shareholders' equity.

In the new year, Cirque began the process of building an inventory of exploration and development prospects. Most of the upcoming budget will be spent on oil exploration as the past land acquisition programs were more heavily weighted in petroleum. In order to balance our projects, we have also begun to explore for and develop gas reserves.

The Company continues to pursue appropriate acquisitions. Our preference is to initiate bids for properties that will yield a strategic land position, an existing production infrastructure and the potential for exploration of multiple zones. Several properties meeting these criteria are being evaluated.

We have established an initial capital budget of approximately $1,500,000 which will involve the drilling of approximately six wells, three of which will be horizontal. Working interests will average around 50% with Cirque maintaining operatorship. The capital budget will be financed with existing working capital, cash flow and debenture repayment. Any increases to our budget will depend upon the success of the programs and the resulting subsequent cash flow improvement.

The Company has put in place a $750,000 line of credit with The Alberta Treasury Branches with the provision to increase to $1,000,000 under the existing structure. Debt will be used only to finance acquisitions, development activities and facility expenditures.

High potential horizontal drilling programs are planned for fiscal 1995. This, combined with the recent merger, will translate into solid growth in the coming year.

I would like to take this opportunity to express my sincere appreciation to Mr. Maurice Caissie and Harold Pedersen who will be retiring from the Board of Directors this year. We thank them for their contribution and counsel to Petrolantic Ltd. during the past year.

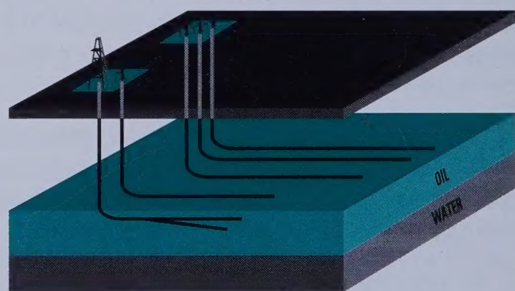
On behalf of the Board of Directors,

Glen A. Phillips, (P. Geol.)
President and Chief Executive Officer
August 19, 1994

CIRQUE ENERGY LTD.

BATTLE CREEK, SASKATCHEWAN

This property was the most active area for Cirque during the year with a total of two vertical and two horizontal wells drilled resulting in three oil wells and one gas well. The bulk of the upcoming programs will center on the Mississippian Madison formation, previously developed with conventional vertical well technology. Water cuts exceeding 98% ultimately hampered production from these wells which have produced from 20,000 to 100,000 barrels of oil. Horizontal drilling technology is used in such a case to minimize coning where water is drawn up into the pool, displacing oil production. Cirque identified the potential for the effective application of horizontal technology and in 1993, and began acquiring an interest in the pool. With the Cirque Oil & Gas Ltd. acquisition, the company increased its working interest to 55.5%.



Before drilling, Cirque shot a 3-D seismic program over the Battle Creek Field to more definitely outline the reservoir and to aid in planning the horizontal wells. In November, 1993, Cirque finished the first Mississippian well with a horizontal section of 360 meters. The well was put on restricted production at rates up to 160 BOPD with a daily average of 114 BOPD. Testing indicates that the well will produce a minimum of 200 BOPD into the existing facilities. Pool production has not yet been optimized due to treating facility limitations. The 1957 treater on the property was replaced in July, 1994, and a new free water knockout vessel is scheduled to arrive in August, 1994. With the new facilities in place, pool production will increase from 200 BOPD to 300 BOPD. With the completion of the upcoming horizontal well, pool production is expected to increase to 600 barrels of oil per day.

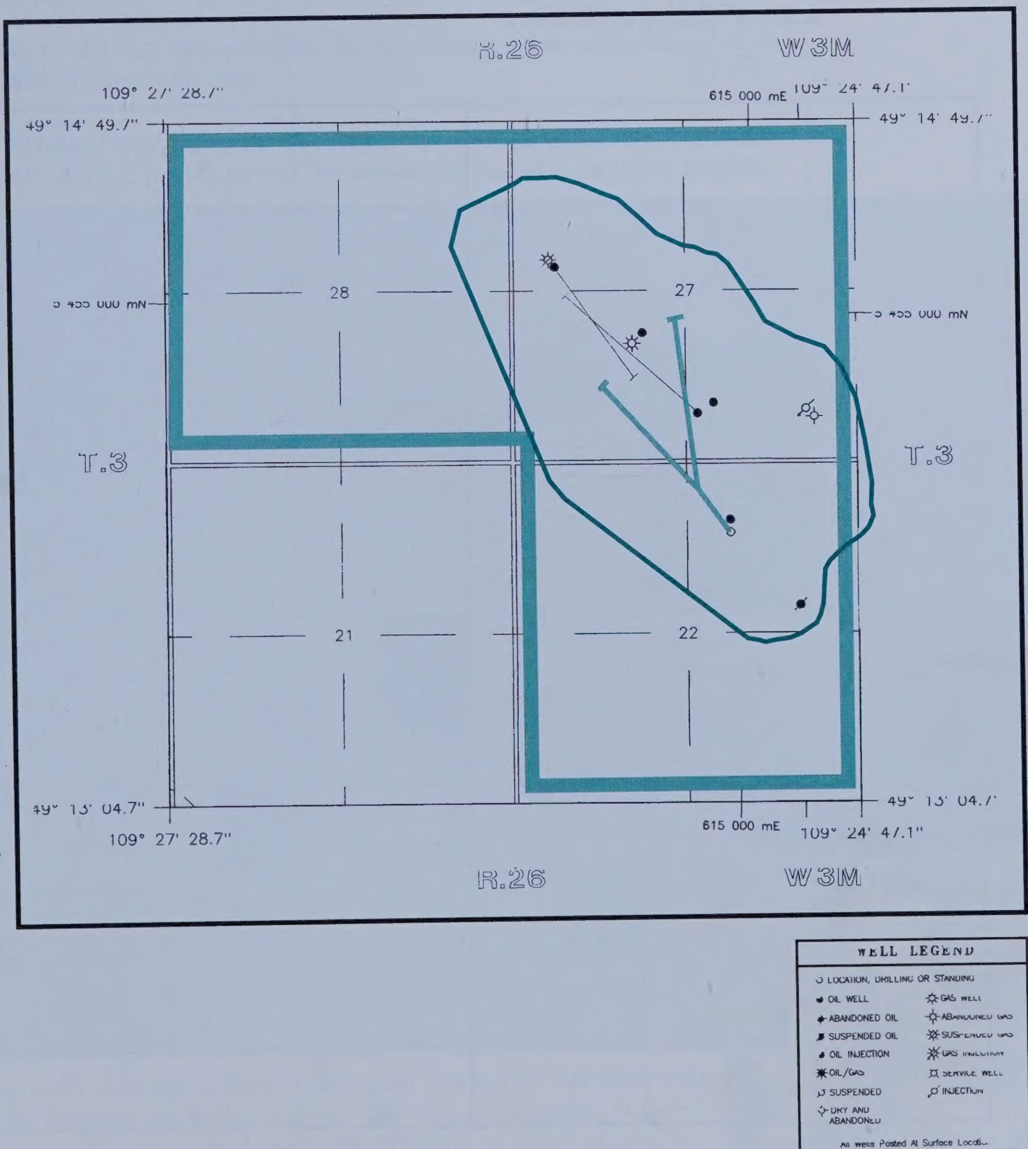
Based on the first Mississippian horizontal well, Cirque plans to drill a multi-lateral horizontal on the property in September, 1994, where two horizontal legs will be drilled from the same well bore. In this more specialized case, Cirque will minimize surface environmental concerns and should achieve enhanced production at a much reduced cost per barrel.

Reservoir studies indicate that there are seven million barrels of oil in place remaining in the reservoir, of which 0.9 million barrels should be recoverable on primary production with horizontal application.

The Company's first horizontal well in the Shaunavon formation drilled in May, 1993, proved to be a disappointment. The well has produced 12,350 barrels of oil and is currently producing at 40 BOPD. A selected acid squeeze will be performed on the well to try and improve the productivity.

CIRQUE ENERGY LTD.

The Company drilled its first shallow gas well in the Battle Creek shallow gas program. The Cirque et al Battle Creek 6-27T-3-26 W3M well was drilled to 905 meters and cased as a potential Second White Specks - Milk River gas well. The Second White Specks zone was sand fractured and flow tested at 400 to 460 MCFD at 280 psig on a three day test. The well is tied-in to the fuel gas system as an alternative source of fuel gas. Additional gas testing will be done on the 12-27 gas well prior to any decisions being made regarding a multi-well gas program.

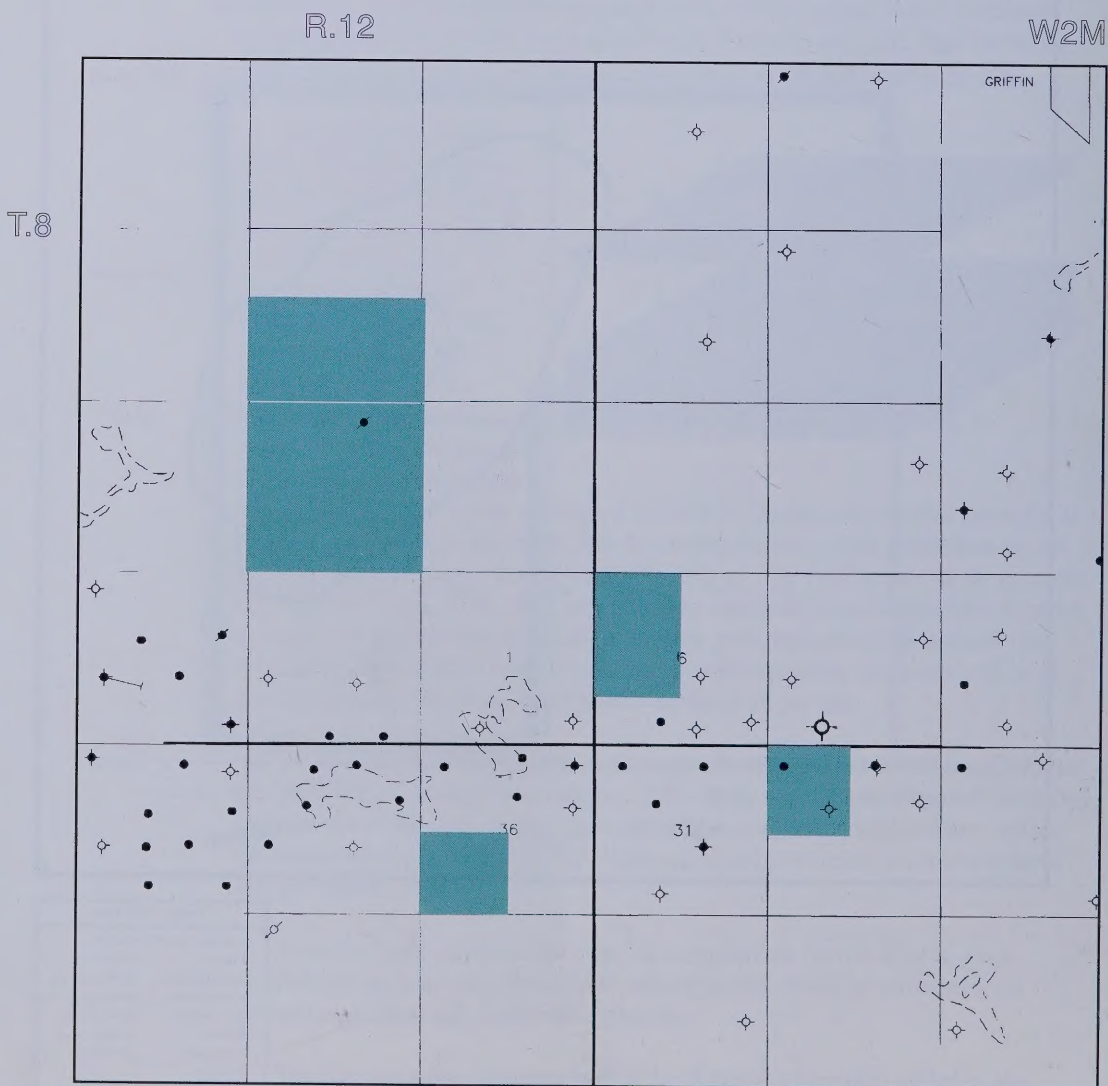


Property Review

CIRQUE ENERGY LTD.

WEST INNES, SASKATCHEWAN

The drilling program initiated in December, 1993 at West Innes signalled Cirque's entry into south-east Saskatchewan, an oil prone area exploited successfully in the late 1950's by the majors. The first well operated by Cirque yielded a successful oil well. A second well drilled subsequent to year end resulted in a dry hole. The new oil well in which the combined entity has a 47.5% working interest, was placed on production in February, 1994, and has averaged a steady 75 BOPD. Additional lands have been acquired offsetting the discovery.



CIRQUE ENERGY LTD.

Domestic In keeping with its focus on exploration, Cirque has acquired an interest in five parcels in a Saskatchewan Crown land sale. The Company now has interests ranging from 47.5% to 50.0% in 2,160 gross (1,050 net) acres in the West Innes area of south-east Saskatchewan. The Company has initiated drilling prospects on non-company interest lands in both Alberta and Saskatchewan, and has outstanding farm-in offers for both horizontal and vertical wells. New opportunities are being generated to ensure the continued growth of both production and reserves.

An offer to purchase a producing oil property is still outstanding and negotiations on the purchase are still continuing. The line of credit will be utilized should we be successful in closing the deal.

Foreign Cirque Energy Ltd. has entered into a Seismic Option Agreement with TransWorld Oil & Gas Ltd. on a 52,000 acre licence located in the United Kingdom.

The licence is located onshore in the Lincoln Area and sits four miles south of the Nettleham and Welton oil pools. The Welton pool consists of 18 vertical wells that have produced 7,000,000 barrels of 37 API oil on primary production since 1986. This pool, which is currently being drilled

New Project Activity

CIRQUE ENERGY LTD.

horizontally, produces 3,150 barrels of oil per day from a 68 meter thick Silesian Sandstone at a depth of approximately 1,300 meters. The Nettleham field has produced from two wells of similar depth with total production to date of 1,200,000 barrels of oil. Geological data and seismic acquired from TransWorld Oil & Gas Ltd. indicates that four similar features exist on the licence. Cirque Energy Ltd. is purchasing and reprocessing additional seismic data on the licence to confirm the existence of the anomalies. If a drilling election is made, the well must be underway by June, 1995. Cirque Energy Ltd. will operate the program and maintain a 50% working interest of this option. One well will earn the entire licence.

CIRQUE ENERGY LTD.

In 1993, the Company operated the drilling of five oil wells, two gas wells, and two dry holes. Furthermore, the Company operated the installation of two pipelines and one battery overhaul. At Cessford, Cirque Energy tied-in one gas well to production facilities. This well, in which Cirque has a 39.6% working interest, went on production in December, 1993 at rates averaging 1.0 million cubic feet of gas per day. A second well at Leo was tied-in and brought on production in November, 1993. The well, in which Cirque Energy has a 33.334% working interest, currently averages 300 thousand cubic feet of gas per day. Cirque operates 95% of its production.

1994 Activity and Forecast

CIRQUE ENERGY LTD.

The drilling success of fiscal 1994 established one major area in which cash flow can be substantially increased through lower-risk development activity during fiscal 1995. This major area will provide increased oil productivity, to be accomplished through the continued application of 3-D seismic and horizontal drilling at Battle Creek where Cirque anticipates drilling at least one or two more horizontal wells in the main Madison pool. The timing of this drilling will depend on rig availability. The remoteness of production in this area keeps industry activity to a minimum and services, such as rigs, are harder to procure. Cirque anticipates daily oil production to reach approximately 600 barrels of oil per day by year end.

All of Cirque's projects depend upon the availability and application of capital. Cirque plans to source the required $1.0 to $1.5 million from a combination of cash flow, bank debt, and debenture revenue. The raising of new equity is always an option, depending upon the influences of the market to maximize the benefits to shareholders. Cirque enters 1995 with no bank debt and is therefore in a position to use credit facilities judiciously, with sensitivity to cash flow. Therefore, for the first half of the year, special attention will be paid to oil and gas pricing trends to ensure capital spending is appropriate.

Growth in 1995 will be dependent on the exploration and development programs undertaken this year. Cirque will enhance its position in areas by continuing to focus on strategic acquisitions. Cirque will grow through a balanced program that includes technological development of older pools and continued attempts, through internal prospect development, to discover major new oil and gas fields.

Auditors' Report to the Shareholders

CIRQUE ENERGY LTD.

To the Shareholders of Cirque Energy Ltd. (Formerly Petrolantic Ltd.)

We have audited the consolidated balance sheets of Cirque Energy Ltd. (Formerly Petrolantic Ltd.) as at March 31, 1994 and 1993 and the consolidated statements of operations and accumulated deficit and changes in financial position for the three years ended March 31, 1994, 1993 and 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1994 and 1993, and the results of its operations and changes in its financial position for the three years ended March 31, 1994, 1993 and 1992 in accordance with generally accepted accounting principles.

Doane Raymond

DOANE RAYMOND
Canadian Member Firm of
Grant Thornton International

Chartered Accountants
Calgary, Alberta
May 18, 1994

Consolidated Statements of Operations and Deficit

Years Ended March 31, 1994, 1993 and 1992

CIRQUE ENERGY LTD.

See accompanying notes to the financial statements.

	1994	1993	1992
Revenue			
Oil and gas sales, net of royalties	**$ 465,368**	**$ 376,322**	**$ 340,703**
Expenses			
Operating costs - oil and gas	154,601	79,532	76,004
General and administrative	279,267	211,165	226,455
Site restoration costs	24,000	12,000	-
Depreciation and depletion	243,944	114,502	83,231
	701,812	417,199	385,690
Loss before the undernoted	236,444	40,877	44,987
Other income			
Debenture interest	119,531	-	-
Foreign exchange gain	81,407	-	-
Other interest	15,897	-	-
	216,835	-	-
Loss from continuing operations	19,609	40,877	44,987
Current income tax expense (Note 8)	57,500	22,800	-
Income tax recovery due to application of prior years' losses	(57,500)	(22,800)	-
Net loss from continuing operations	19,609	40,877	44,987
Loss from discontinued operations (Note 2)	-	2,528,219	387,515
Net loss	**$19,609**	**$2,569,096**	**$432,502**
Accumulated deficit, beginning of year	$13,376,574	$10,807,478	$10,374,976
Net loss	19,609	2,569,096	432,502
Elimination of deficit on reduction of capital stock (Note 6)	(13,396,183)	-	-
Accumulated deficit, end of year	$ -	$13,376,574	$10,807,478
Per share data:			
Basic loss per share (Canadian Basis)			
Continuing operations	$ -	$ 0.01	$ 0.01
Discontinued operations	$ -	$ 0.16	$ 0.03
Primary loss per share (United States Basis)			
Continuing operations	$ -	$ 0.01	$ 0.01
Discontinued operations	$ -	$ 0.15	$ 0.03

Consolidated Balance Sheet
Years Ended March 31, 1994 and 1993

See accompanying notes to the financial statements.

	1994	1993
Assets		
Current		
Cash	$ 276,267	$ 17,362
Accounts receivable	67,221	55,198
Deferred share issue costs	82,330	10,062
Debentures receivable (Note 2)	855,735	-
	1,281,553	82,622
Equity in net assets of discontinued operations (Note 2)	-	1,151,227
Petroleum and natural gas properties and equipment (Note 4)	1,604,830	553,247
Fixed (Note 5)	7,104	9,048
	$ 2,893,487	$ 1,796,144
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 44,219	$ 39,057
Site restoration costs	36,000	12,000
	80,219	51,057
Shareholders' Equity		
Capital stock (Note 6)	2,813,268	15,121,661
Accumulated deficit (Note 6)	-	(13,376,574)
	2,813,268	1,745,087
	$ 2,893,487	$ 1,796,144

On behalf of the Board

Director Director

Consolidated Statement of Changes in Financial Position

Years Ended March 31, 1994, 1993 and 1992

CIRQUE ENERGY LTD.

See accompanying notes to the financial statements.

	1994	1993	1992
Cash derived from (applied to)			
Operating			
Loss from continuing operations	$ (19,609)	$ (40,877)	$ (44,987)
Items not involving cash			
Depreciation, depletion and amortization	243,944	114,502	83,231
Site restoration costs	24,000	12,000	-
Unrealized foreign exchange gain	(66,827)	-	-
	181,508	85,625	38,244
Net decrease in non-cash operating working capital items of continuing operations	(79,129)	(61,783)	(30,474)
	102,379	23,842	7,770
Loss from discontinued operations	-	(2,528,219)	(387,515)
Items not involving cash			
Depreciation, depletion and amortization	-	163,465	157,992
Equity in net loss of joint venture	-	86	2,756
Minority interest	-	(59,121)	(79,145)
Provision for loss on disposal of discontinued operations	-	2,238,751	-
	-	(185,038)	(305,912)
Net increase in non-cash operating working capital items of discontinued operations	-	180,070	110,441
	-	(4,968)	(195,471)
	102,379	18,874	(187,701)
Investing			
Additions to oil and gas interests	(1,293,583)	(217,375)	(221,362)
Proceeds on sale of subsidiary	1,151,227	-	-
Investment in debentures	(1,051,877)	-	-
Proceeds on redemption of debentures	262,969	-	-
Other	-	1,732	(8,357)
Investing activities - discontinued operations	-	4,968	195,471
	(931,264)	(210,675)	(34,248)
Financing			
Non-cash compensation	-	-	(120,000)
Proceeds from issue of common stock	1,087,790	192,846	346,250
	1,087,790	192,846	226,250
Net cash provided	258,905	1,045	4,301
Cash, beginning of year	17,362	16,317	12,016
Cash, end of year	$ 276,267	$ 17,362	$ 16,317

1. Summary of significant accounting policies

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and with respect to the corporation's continuing operations, reflect the policies listed below. All financial statement amounts are stated in Canadian dollars. The financial statements presented are those of Petrolantic Ltd. which, effective April 1, 1994, changed its name to Cirque Energy Ltd.

Principles of consolidation

The consolidated financial statements include the accounts of the Company, and its wholly-owned subsidiary, Petrolantic Inc.

Joint ventures

During the year the Company conducted substantially all of its Canadian oil and gas exploration and production activities on a joint venture basis. These financial statements reflect only the Company's proportionate interest in such activities.

Oil and gas interests

The Company accounts for its oil and gas interests following the accounting guideline, Full Cost Accounting in the Oil and Gas Industry, issued by the Canadian Institute of Chartered Accountants. Under this guideline, the Company follows the full cost method of accounting for petroleum and natural gas operations whereby all costs of exploration for and development of petroleum and natural gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses, costs of drilling both productive and non-productive wells and overhead charges directly related to exploration activities. Proceeds from the sale of oil and gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and depreciation.

Depletion of exploration and development costs and tangible equipment is provided using the unit-of-production method based upon estimated proven petroleum and natural gas reserves.

The carrying value of the Company's petroleum and natural gas properties and production equipment, net of recorded deferred income taxes, is compared annually to an estimate of future net cash flow from the production of proved reserves using year end prices, (unless there have been rapidly fluctuating prices, in which case an average price is used), less estimated future general and administrative expenses, financing costs and income taxes. Should this comparison indicate an excess carrying value, the excess is charged against earnings as additional depletion and depreciation.

CIRQUE ENERGY LTD.

1. Summary of significant accounting policies (Continued)

Oil and gas interests (Continued)

An average price for the year ended March 31, 1994 was used in arriving at the future net cash flows described above. If year end prices had been used, the Company would have charged $210,000 against earnings as additional depletion and depreciation.

Site restoration costs

Estimated future costs of well abandonment and site restoration, including removal of production facilities at the end of their useful life, aggregate $70,000. Costs are based on estimates valued at year end prices and in accordance with the current legislation and industry practices. The annual provision is computed on a unit-of-production basis and is recorded as an expense for the year; the accumulated provision is classified as a non-current liability.

Depreciation

Fixed assets are stated at cost. Depreciation is provided over the estimated useful lives of the assets at the following annual rates, once the asset is put into productive use:

Computer	30%	declining balance
Office furniture and equipment	20%	declining balance

Foreign currency translation

Petrolantic Inc. is considered financially and operationally dependent upon the parent company, and thus its accounts are translated into Canadian dollars using the current rate of exchange for monetary assets and liabilities, the historic rate for non-monetary assets and liabilities, and at average rates of exchange for the period for revenues and expenses.

United States Exploration, Inc. was considered financially and operationally independent of the parent company, and thus its accounts were translated into Canadian dollars using the current rate of exchange for all assets and liabilities and at average rates of exchange for the period for revenues and expenses.

The debentures receivable, which are monetary assets, are translated into Canadian dollars using the current rate of exchange at the year end.

Loss per common share

The basic and primary loss per common share are computed using the weighted average number of common shares outstanding during the year. Fully diluted loss per share is not presented as the calculation would be antidilutive.

CIRQUE ENERGY LTD.

1. Summary of significant accounting policies (Continued)

Flow-through common shares

The Company credits the full amount of the proceeds of flow-through shares, (which transfer the deductibility of petroleum and natural gas exploration and development expenses to the investor), including the premium paid for such tax deductions, to capital stock.

2. Discontinued operations and debentures receivable

During the 1993 fiscal year the Board of Directors endorsed a plan to dispose of the Company's ownership of United States Exploration, Inc. (USX), an 82.3% owned subsidiary. United States Exploration, Inc. was a natural gas producer and processor and provided consulting and management services. Pursuant to an Exchange Agreement effective May 10, 1993 the Company sold its entire shareholding position of 6,624,500 common shares. The Company received $99,350 for 624,500 shares and the remaining 6,000,000 shares were exchanged for 2,000,000 each of Series A, B and C Debentures. The Series A debenture was redeemed for cash of $300,000 U.S. in October, 1993. The original agreement provided that the Series B debenture was to be redeemed on or before August 1, 1994 and the Series C debenture on or before November 30, 1994 in the amounts of $400,000 U.S. and $500,000 U.S. respectively.

By way of an amending agreement, the Series B debenture will be redeemed in two instalments of $200,000 U.S. each in August and September, 1994. The Series C debenture by way of amending agreement will be redeemed on or before December 31, 1994 for $300,000 U.S. or on June 30, 1995 for $500,000 U.S. If the redemption were to occur between January 1, 1995 and June 29, 1995, the redemption amount will be prorated.

Due to the non-interest bearing nature of the debentures, interest has been imputed by management and an unamortized discount has been determined:

Non-interest bearing debentures, at maturity	$	1,530,000
Unamortized discount based on imputed interest rate of 32%		478,123
Balance, March 31, 1993		1,051,877
Redemption of Series A Debenture		262,969
		788,908
Unrealized foreign exchange gain		66,827
Balance, March 31, 1994	$	855,735

CIRQUE ENERGY LTD.

2. Discontinued operations (Continued)

As the Company receives cash for redemption of the debentures, the appropriate portion of the discount of $478,125 is recognized as income.

The Company accounted for USX operations as discontinued operations as at March 31, 1993. Comparative figures for 1992 were reclassified to conform with this presentation.

The operating results of the discontinued operations which were reflected in the statement of operations and deficit under the caption discontinued operations for 1993 and 1992, were comprised as follows:

	1993	1992
Revenue		
Oil and gas sales	$ 118,457	$ 132,283
Natural gas gathering revenues	3,242	32,368
Partnership management income	25,826	44,680
Other income	1,733	34,533
	149,258	243,864
Expenses		
Production costs - oil and gas	138,124	177,251
Production costs - natural gas gathering systems	22,277	85,991
Depreciation, depletion and amortization	163,465	157,992
General and administrative	173,895	286,534
Equity in net loss of joint venture	86	2,756
	497,847	710,524
Loss before the undernoted	(348,589)	(466,660)
Minority interest	59,121	79,145
Net loss before the undernoted	(289,468)	(387,515)
Provision for loss on disposal of discontinued operations	(2,238,751)	-
Net loss	$ (2,528,219)	$ (387,515)

CIRQUE ENERGY LTD.

2. Discontinued operations (Continued)

The assets and liabilities of the discontinued operations at March 31, 1993 were included in the consolidated balance sheet on a net basis comprised as follows:

		1993
Current Assets		
Cash	$	23,092
Due from related parties		74,793
Other receivables		6,174
		104,059
Property and Equipment at Cost		
Oil and gas property and equipment		2,922,063
Natural gas gathering systems		1,270,602
		4,192,665
Other Assets		
Investment in joint venture		321,974
Other		191
		322,165
Current Liabilities		
Accounts payable and accrued liabilities		(243,455)
Due to related parties		(385,744)
		(629,199)
Minority interest		(379,618)
Cumulative translation adjustment		(220,094)
Provision for loss on disposal of discontinued operations		(2,238,751)
	$	1,151,227

CIRQUE ENERGY LTD.

3. Related party transactions and contractual obligations

A joint venture in which the Company participates is operated by Cirque Oil & Gas Ltd. which is also a participant in the joint venture. The president of Cirque Oil & Gas Ltd. is a director and an officer of the Company. Cirque Oil & Gas Ltd. provided management services to the Company under contract for $10,000 per month until July 31, 1993 and $12,500 per month thereafter. The management agreement which governed these management fees was terminated effective March 31, 1994.

4. Petroleum and natural gas properties	1994	1993	1992
Petroleum and natural gas properties and equipment	$ 2,056,830	$ 763,247	$ 545,872
Less:			
Accumulated depreciation, depletion amortization and valuation allowance	(452,000)	(210,000)	(98,000)
	$ 1,604,830	$ 553,247	$ 447,872

Approximately $901,000 (1993 - $NIL; 1992 - $NIL) of the above petroleum and natural gas properties have no cost basis for tax purposes as the result of flow-through shares issued.

5. Fixed Assets	1994	1993	1992
Computer	$ 18,850	$ 18,850	$ 18,850
Office furniture and equipment	23,333	23,333	23,333
	42,183	42,183	42,183
Less accumulated depreciation	(35,079)	(33,135)	(30,633)
	$ 7,104	$ 9,048	$ 11,550

CIRQUE ENERGY LTD.

6. Capital stock

Authorized:

Unlimited number of common shares without par value

	Number of Shares	Proceeds
Issued:		
Balance, March 31, 1991	13,400,661	14,582,565
to directors and officers through exercise of stock warrants	625,000	156,250
to directors and officers through exercise of stock options	350,000	70,000
to directors and officers in lieu of deferred compensation	400,000	120,000
Balance, March 31, 1992	14,775,661	14,928,815
pursuant to a rights offering (net of cost of issue of $31,425)	1,304,533	190,346
to a director and officer through exercise of stock options	10,000	2,500
Balance, March 31, 1993	16,090,194	15,121,661
pursuant to flow-through share offering (net of costs of issue of $135,084)	3,165,000	972,665
to directors and officers through exercise of stock options	460,500	115,125
elimination of deficit on reduction of capital stock	-	(13,396,183)
Balance, March 31, 1994	19,715,694	$ 2,813,268

At a special meeting held on March 24, 1994, the shareholders of the Company approved a special resolution reducing the stated capital applicable to the common shares of the Company by an amount equal to the deficit which would otherwise be shown in the audited financial statements as at March 31, 1994, and applying this amount to eliminate the accumulated deficit.

CIRQUE ENERGY LTD.

6. Capital stock (Continued)

Stock options

The following is a summary of stock options issued to officers and directors for the years noted:

	Number of Shares	Price Range Per Share
Outstanding at March 31, 1991	1,310,000	$0.20 - $0.60
1992		
Granted	1,050,000	$0.25
Cancelled/expired	(705,000)	$0.45 - $0.60
Exercised	(350,000)	$0.20
Outstanding at March 31, 1992	1,305,000	$0.25 - $0.60
1993		
Cancelled/expired	(250,000)	$0.25 - $0.60
Exercised	(10,000)	$0.25
Outstanding at March 31, 1993	1,045,000	
1994		
Granted	800,000	$0.28
Cancelled/expired	(155,000)	$0.45
Exercised	(460,500)	$0.25
Outstanding at March 31, 1994	1,229,500	

The stock options outstanding at March 31, 1994 are summarized as follows:

Shares	Price	Expiry
429,500	$0.25	March 28, 1996
800,000	$0.50	October 6, 1998

Subsequent to year end 340,000 options were granted at an exercise price of $0.28 which expire May 16, 1999.

Warrants outstanding at March 31, 1994 are summarized as follows:

Shares	Price	Expiry
3,165,000	$0.45	April 15, 1995

CIRQUE ENERGY LTD.

7. Segmented information

Financial data by geographic and industry segment is presented below for the years ended March 31, 1993 and 1992. In 1994 the Company operated only in Canada in the exploration and development segment.

		1993		1992
Geographic Segments		**1993**		**1992**
Segment revenue				
Canada	$	376,322	$	340,703
United States		149,258		243,864
		525,580		584,567
Segment loss				
Canada		40,877		44,987
United States		2,528,219		387,515
		2,569,096		432,502
Segment identifiable assets				
Canada		644,917		550,569
United States		1,151,227		3,679,446
		1,796,144		4,230,015
Industry segments				
Segment revenue				
Exploration and development		494,779		472,986
Processing and management services		30,801		111,581
		525,580		584,567
Segment loss (income)				
Exploration and development		2,599,897		544,083
Processing and management services		(30,801)		(111,581)
		2,569,096		432,502
Segment identifiable assets				
Exploration and development		1,204,004		2,956,316
Processing and management services		592,140		1,273,699
	$	1,796,144	$	4,230,015

CIRQUE ENERGY LTD.

8. Income taxes

a. The provision for income taxes differs from the result that would be obtained by applying the combined Canadian Federal and Provincial income tax rate of approximately 44.3% to loss from continuing operations. The difference results from the following:

	1994	1993	1992
Computed expected tax recovery	$ (8,700)	$ (18,100)	$ (19,900)
Increase (decrease) resulting from:			
Depletion of resource properties having no tax cost	52,300	-	-
Non-deductible Crown charges	25,000	23,800	28,600
Alberta royalty tax credit	(14,600)	(16,400)	(28,300)
Federal resource allowance	(10,300)	(16,400)	(23,900)
Other adjustments	(19,800)	(3,300)	8,200
Unrecognized deferred tax benefits and losses	33,600	53,200	35,300
Income tax expense	$ 57,500	$ 22,800	$ -

b. No recognition is given to the potential tax benefit of losses in these financial statements. The Company has losses available, which may be utilized to offset taxable income of future years, which expire as follows:

1995	$ 317,000
1996	734,000
1997	223,000
1998	323,000
1999	26,000
	$ 1,623,000

In addition, the Company has a capital loss of $3,660,000 which may be utilized to offset capital gains of future years.

8. Income taxes (Continued)

c. The Company has available the following approximate amounts which may be deducted, at the annual rates indicated, in determining taxable income of future years:

	Rate	1994	1993	1992
Canadian exploration expense	100%	$ 383,000	$ 345,000	$ 223,000
Canadian development expense	30%	423,000	379,000	314,000
Canadian oil and gas property expense	10%	135,000	39,000	32,000
Undepreciated capital cost	20-100%	452,000	237,000	213,000
Share issue costs	5 year straight-line	188,000	31,000	9,000
		$ 1,581,000	$ 1,031,000	$ 791,000

9. Reconciliation between Canadian and United States generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles, (GAAP), in Canada, which differ in some respects from GAAP in the United States. The material differences between the two are summarized below:

a. GAAP in Canada allow for the reduction of stated capital of outstanding common shares with a corresponding offset to deficit. This reclassification, which was made in the current year, is not permitted by United States GAAP. Had the statements been prepared in accordance with United States GAAP, both the deficit and capital stock would have been greater by $13,396,183.

b. As described in Note 10, subsequent to year end the Company was party to a share exchange with Cirque Oil & Gas Ltd. which resulted in the combination of the two Companies. For Canadian GAAP purposes, this transaction will be accounted for by the purchase method. However, for United States GAAP purposes, the transaction meets the requirements of a pooling-of-interests. United States GAAP would therefore require the following disclosure in the subsequent events note reflecting operating results of the combined entity had the combination been consummated on March 31, 1994:

Revenue	$	1,482,793
Net earnings	$	43,112
Primary earnings per share	$	0.00

CIRQUE ENERGY LTD.

9. Reconciliation between Canadian and United States generally accepted accounting principles (Continued)

c. United States, (U.S.), full cost accounting rules differ from Canadian full cost accounting guidelines followed by the Company. In determining the limitation on the carrying values of petroleum and natural gas properties at year end, U.S. accounting rules require that the Company use year end oil and gas prices in arriving at future net revenues from the oil and gas properties and that these future net revenues be discounted at 10%. Canadian guidelines allow the use of average oil and gas prices in those circumstances described in Note 1 to the financial statements. These guidelines use undiscounted future net revenues and require the deduction of estimated future administrative costs. The carrying value of petroleum and natural gas properties of the Company would have been written down by $120,000 under the U.S. accounting rules. As a result, depletion expense under U.S. GAAP would have been lower in the current and future years.

10. Subsequent event

Subsequent to year end, the shareholders of Petrolantic Ltd. authorized the issuance of up to 12,273,986 Petrolantic common shares in exchange for all of the issued and outstanding common shares of Cirque Oil & Gas Ltd., representing a share exchange ratio of 10.2 Petrolantic common shares for each Cirque common share. The shareholders also voted to change the name of the company from Petrolantic Ltd. to Cirque Energy Ltd. The share exchange and name change were effective April 1, 1994 at which time the combining companies were amalgamated.

CIRQUE ENERGY LTD.

10. Subsequent event (Continued)

The acquisition will be recorded using the purchase method, and the allocation of the purchase price to acquired net assets is as follows:

Petroleum and natural gas property and equipment	$	1,613,531
Increment to fair market value		241,796
		1,855,327
Working capital		1,248
Other assets		14,625
Deferred income taxes		(132,200)
Provision for future site restoration costs		(50,000)
Purchase price	$	1,689,000

If the acquisition had occurred at the end of the Company's fiscal year, the following financial position would have been reported at March 31, 1994:

	Cirque Energy Ltd.	Cirque Oil & Gas Ltd.	Adjustments	Proforma Mar. 31, 94
Current assets	$ 1,281,553	$ 308,635	$ -	$ 1,590,188
Petroleum and natural gas properties and equipment	1,604,830	1,613,531	241,796[4] (34,000)[2]	3,426,157
Other assets	7,104	14,625	-	21,729
	$ 2,893,487	$ 1,936,791	$ 207,796	$ 5,038,074
Current liabilities	$ 44,219	$ 307,387	$ -	$ 351,606
Other liabilities	36,000	182,200	-	218,200
Shareholders' equity	2,813,268	1,447,204	(34,000)[2] (1,447,204)[5] 1,689,000[6]	4,468,268
	$ 2,893,487	$ 1,936,791	$ 207,796	$ 5,038,074

CIRQUE ENERGY LTD.

10. Subsequent event (Continued)

If the acquisition and amalgamation had occurred at the beginning of the Company's fiscal year, the following operating results would have been reflected for the year ended March 31, 1994:

	Cirque Energy Ltd.	Cirque Oil & Gas Ltd.	Adjustments	Proforma Mar.31,94
Revenue, oil and gas, net of royalties	$ 465,368	$ 547,754	$ -	$ 1,013,122
Other income	216,835	252,836	(140,000) (1)	329,671
Operating costs - oil and gas	(154,601)	(181,723)	-	(336,324)
General and admin.	(279,267)	(144,953)	140,000 (1)	(284,220)
Consulting fees	-	(72,000)	-	(72,000)
Site restoration costs	(24,000)	(43,900)	-	(67,900)
Depreciation and depletion	(243,944)	(273,693)	(34,000) (2)	(551,637)
Net earnings (loss) before income taxes	(19,609)	84,321	(34,000)	30,712
Income tax expense	-	21,600	(21,600) (3)	-
Net earnings (loss)	$ (19,609)	$ 62,721	$ (12,400)	$ 30,712
Basic earnings/share	$ 0.00	$ 0.05		$ 0.00

(1) Elimination of inter-company management fees described in Note 3.

(2) Depletion expense applicable to the increment to fair market value of petroleum and natural gas property and equipment of Cirque Oil & Gas Ltd.

(3) Reduction in income tax expense resulting from the application of Petrolantic Ltd. losses carryforward.

(4) Increment to fair market value of petroleum and natural gas property and equipment of Cirque Oil & Gas Ltd.

(5) Elimination of Cirque Oil & Gas Ltd. shareholders' equity on acquisition date.

(6) Issue of shares by Cirque Energy Ltd. to effect the acquisition.

Board of Directors

Glen A. Phillips (P. Geol.)
Calgary, Alberta
President
Cirque Energy Ltd.

Ron A. Shaw (P. Eng.)*
Calgary, Alberta
Vice-President, Engineering
Cirque Energy Ltd.

Peter C. Nichols*
Edmonton, Alberta
Principle
Nichols Applied Management

Harley L. Winger*
Calgary, Alberta
Solicitor
Burstall Ward

* Member of Audit Committee

Officers

Glen A. Phillips (P. Geol.)
President & C.E.O.

Ron A. Shaw (P. Eng.)
Vice-President, Engineering

JoAnne Dorval, C.G.A.
Secretary

Subsidiaries

PETROLANTIC INC.
Tulsa, Oklahoma

Corporate Information

Transfer Agent & Registrar
The R-M Trust Company
P.O. Box 2517
Calgary, Alberta
T2P 4P4

Auditors

Doane Raymond
A Member firm of
Grant Thornton International
Chartered Accountants
Calgary, Alberta

Counsel

Burstall Ward
Calgary, Alberta

Bankers

The Alberta Treasury Branches
Calgary, Alberta

Listings

A.S.E. - "CIQ"
N.A.S.D.A.Q. - "CIRQF"

Executive Office

Suite 2230, 425 - 1st Street S.W.
Calgary, Alberta Canada T2P 3N4
Tel: (403) 266-4344
Fax: (403) 290-0043

Annual Meeting Details

The Annual Meeting of Shareholders
will be held at 10:00 A.M. (Mountain Standard Time)
on Thursday, September 22, 1994 at
The Bow Valley Club
Suite 370, 250 - 6th Avenue S.W., Calgary, Alberta
All Shareholders and interested persons are invited to attend.

Produced By Colorsynk Communications Inc.

CIRQUE ENERGY LTD.

Head Office
Suite 2230, 425 - 1st Street S.W., Calgary, Alberta T2P 3L8
Telephone: (403) 266-4344 Fax: (403) 290-0043

PRINTED IN CANADA